

ADOPTED 2006 BUDGET

DEPT: EARNINGS ON INVESTMENTS

UNIT NO. 1900-1850

FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to Sections 66.0603(2) and 219.05 of the Wisconsin Statutes, a county has the authority to invest any of its funds not immediately needed in time deposits of a bank, credit union, trust company or savings and loan association, or in bonds or

securities issued or guaranteed as to principal and interest of the U.S. Government, Federal agency and instrumentality securities, highly rated corporate securities or repurchase agreements.

BUDGET SUMMARY			
	2004 <u>Actual</u>	2005 <u>Budget</u>	2006 <u>Budget</u>
Earnings on Investment	\$ 3,402,759	\$ 5,678,158	\$ 4,420,000

STATISTICAL SUPPORTING DATA

Earnings on All Funds	\$ 4,774,648	\$ 6,503,158	\$ 6,090,000
Earnings on Trust Funds, Reserves and Other			
Deferred Interest Liabilities	(1,346,376)	(765,000)	(1,520,000)
Earnings on Proprietary Fund Bonds Allocated to the Capital Fund and Debt Service Fund	(25,513)	(60,000)	(150,000)
General Fund Earnings	\$ 3,402,759	\$ 5,678,158	\$ 4,420,000

For the 2006 Budget, an average investment balance of approximately \$202 million is expected to be available for investment at an average interest rate of 3.00 percent. This will result in \$4,420,000 of investment earnings available to the General Fund. The interest rate for the 2006 Budget is projected to be higher than the 2005 budgeted rate of 2.62 percent, however, the average balance projected for investment is adjusted to \$202 million to reflect projected experience in 2005 and 2006.

The positive impact of rising interest rates is somewhat offset by the declining market value of the portfolio. Because of rising interest rates, the existing portfolio's investments at lower interest rates will lose some market value. This impacts on the overall value of the portfolio and the bottom line General Fund earnings

Construction fund earnings on unspent bond proceeds for proprietary fund departments are recorded directly in the capital projects fund. These investment earnings are used to offset capitalized interest expense for projects that are under construction. Investment earnings on bonds that have lapsed to the sinking fund are recorded in the debt service fund.

Projected earnings of \$1,520,000 on unexpended bond proceeds for proprietary fund departments or restricted general fund projects are anticipated for

2006. These earnings are reflected as revenues recorded directly in the capital projects fund.

Earnings on trust funds, reserves and other deferred interest liabilities were estimated at \$765,000 for 2005 but had to be adjusted by \$750,000 in order to correct for the oversight of not including \$105,090 in Midwest Express Airport Hangers financing and \$650,000 in Airport Revenue Bond Earnings; hence the adjusted budget of \$1,520,000 in 2006.

In 2001, and 2002, the Treasurer's Office entered into a service contract with Dana Investment Advisors, Inc. and with Marshall & Ilsley Trust Company. A 1997 internal audit recommended a Request for Proposal (RFP) or bid process to make decisions about which investments best meet the County's needs. The RFP for these contracts was issued in 2005. An expense line was created and is included in the non-departmental 1900-6025 for the investment advisory services.